

## FINANCING VEHICLES AND THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE

This chapter contains descriptions of, and data on, financing vehicles and the Board of Governors of the Federal Reserve System (Board). The Financing Corporation functions as a financing vehicle for the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund. The Resolution Funding Corporation provided financing for the Resolution Trust Corporation (RTC) and is subject to the general oversight and direction of the Secretary of the Treasury.

The Board's transactions are not included in the Budget because of its unique status in the conduct of monetary policy. The Board provides data on its administrative budget, which is included here for information. Its budget is not subject to review by the President and is executed and presented here on a calendar-year basis. The previous year's data reflects the final budget, as approved by the Board.

The 2015 balance sheets for the Financing Corporation and Resolution Funding Corporation are as of December 31, 2015, and the 2016 balance sheets are as of September 30, 2016.

### FINANCING CORPORATION

The Financing Corporation (FICO) is a mixed-ownership Government corporation, chartered by the Federal Home Loan Bank Board pursuant to the Federal Savings and Loan Insurance Corporation Recapitalization Act of 1987, as amended (the Act). FICO's sole purpose is to function as a financing vehicle for the FSLIC Resolution Fund, formerly the Federal Savings and Loan Insurance Corporation. Pursuant to the Act, FICO was authorized to issue debentures, bonds, and other obligations subject to limitations contained in the Act, the net proceeds of which were to be used solely to purchase capital certificates issued by the FSLIC Resolution Fund or to refund any previously issued obligations. The Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 terminated FICO's borrowing authority.

The Act provided formulas pursuant to which the Federal Home Loan Banks make capital contributions to FICO. FICO used the proceeds received from the sales of such capital stock to purchase non-interest bearing securities for deposit in a segregated account as required by the Act. The non-interest bearing securities held in the segregated account are the primary source of repayment of the principal of FICO obligations. Securities in the segregated account are kept separate from other FICO accounts and funds, but are not specifically pledged as collateral for the payment of obligations. The primary source of payment of interest on the obligations is the receipt of assessments imposed on and collected from institutions' accounts, which are insured by the Federal Deposit Insurance Corporation's Deposit Insurance Fund.

Note that consistent with updated Federal Accounting Standards Advisory Board guidance, 2015 assets and liabilities have been adjusted in line with the presentation of assets and liabilities in 2016 audited statements.

### Balance Sheet (in millions of dollars)

Identification code 920-4980-0-4-373	2015 actual	2016 actual
<b>ASSETS:</b>		
Federal assets:		
Investments in US securities:		
1102 Segregated accounts investment, net .....	6,990	7,448
1801 Other Federal assets: Cash, cash equivalents .....	215	292
1999 Total assets .....	7,205	7,740
<b>LIABILITIES:</b>		
Non-Federal liabilities:		
2202 Interest payable .....	156	235
2203 Debt .....	8,158	8,161
2207 Other .....	71	66
2999 Total liabilities .....	8,385	8,462
<b>NET POSITION:</b>		
3100 FICO capital stock purchased by FHLBanks .....	680	680
3300 Cumulative results of operations .....	6,310	6,768

3300 FSLIC capital certificates .....	-8,170	-8,170
3999 Total net position .....	-1,180	-722
4999 Total liabilities and net position .....	7,205	7,740

### RESOLUTION FUNDING CORPORATION

The Resolution Funding Corporation (REFCORP) is a mixed-ownership Government corporation established by Title V of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The sole purpose of REFCORP was to provide financing for the Resolution Trust Corporation (RTC). Pursuant to FIRREA, REFCORP was authorized to issue debentures, bonds, and other obligations, subject to limitations contained in the Act and regulations established by the Thrift Depositor Protection Oversight Board. The proceeds of the debt (less any discount, plus any premium, net of issuance cost) were used solely to purchase nonredeemable capital certificates of RTC or to refund any previously issued obligations.

Until October 29, 1998, REFCORP was subject to the general oversight and direction of the Thrift Depositor Protection Oversight Board. At that time, the Oversight Board was abolished and its authority and duties were transferred to the Secretary of the Treasury. The day-to-day operations of REFCORP are under the management of a three-member Directorate composed of the Chief Executive Officer of the Office of Finance of the Federal Home Loan Banks and two members selected from among the presidents of the 11 Federal Home Loan Banks (FHLBanks). Members of the Directorate serve without compensation, and REFCORP is not permitted to have any paid employees.

FIRREA, as amended, and the regulations adopted by the Thrift Depositor Protection Oversight Board and the Secretary of the Treasury required that Federal Home Loan Banks (FHLBs) contribute 20 percent of net earnings annually to assist in the payment of interest on bonds issued by REFCORP until such time as the total payments are equivalent to a \$300 million annual annuity with a final maturity date of April 15, 2030. The FHLBs fulfilled this obligation on August 5, 2011.

### Balance Sheet (in millions of dollars)

Identification code 920-4981-0-4-373	2015 actual	2016 actual
<b>ASSETS:</b>		
Federal assets:		
Investments in US securities:		
1102 Principal fund account investment, net .....	17,260	18,299
1206 Non-Federal assets: Assessments receivable for interest expense .....	886	888
1999 Total assets .....	18,146	19,187
<b>LIABILITIES:</b>		
Non-Federal liabilities:		
2202 Accrued interest payable on long-term obligations .....	886	887
2203 Debt .....	30,063	30,061
2999 Total liabilities .....	30,949	30,948
<b>NET POSITION:</b>		
3100 Nonvoting capital stock issued to FHLBanks .....	2,513	2,513
3300 Cumulative results of operations .....	14,913	15,955
3300 RTC nonredeemable capital certificates .....	-31,286	-31,286
3300 Contributed capital - principal fund assessments .....	1,057	1,057
3999 Total net position .....	-12,803	-11,761
4999 Total liabilities and net position .....	18,146	19,187

## BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

## Program and Financing (in millions of dollars)

Identification code 920-4982-0-4-803	2015 actual	2016 est.	2017 est.
<b>Obligations by program activity:</b>			
0801 Monetary and economic policy .....	137	151	167
0802 Federal Reserve System policy direction .....	36	39	40
0803 Supervisory, regulatory, and legal services .....	223	241	255
0804 Support and security services .....	213	238	265
0805 Extraordinary items .....	34	40	17
0806 Below reporting threshold .....			1
0809 Reimbursable program activities, subtotal .....	643	709	745
0810 Office of Inspector General operating expenses .....	29	32	34
0900 Total new obligations, unexpired accounts .....	672	741	779
<b>Budgetary resources:</b>			
Financing authority:			
Spending authority from offsetting collections, mandatory:			
1800 Collected .....	672	741	779
1930 Total budgetary resources available .....	672	741	779
<b>Change in obligated balance:</b>			
Unpaid obligations:			
3010 New obligations, unexpired accounts .....	672	741	779
3020 Outlays (gross) .....	-672	-741	-779
<b>Financing authority and disbursements, net:</b>			
Mandatory:			
4090 Budget authority, gross .....	672	741	779
4110 Outlays, gross (total) .....	672	741	779
Offsets against gross financing authority and disbursements:			
Offsetting collections (collected) from:			
4123 Non-Federal sources .....	-672	-741	-779
4180 Budget authority, net (total) .....			
4190 Outlays, net (total) .....			

The Federal Reserve System operates under the provisions of the Federal Reserve Act of 1913, as amended, and other acts of the Congress.

To carry out its responsibilities under this Act, the Board determines general monetary, credit, and operating policies for the System as a whole and formulates the rules and regulations necessary to carry out the purposes of the Act. The Board's principal duties consist of exerting an influence over credit conditions and supervising the Federal Reserve banks and member banks.

Under the provisions of section 10 of the Federal Reserve Act, the Board of Governors levies upon the Federal Reserve banks, in proportion to their capital and surplus, an assessment sufficient to pay its estimated expenses. Also under the Act, the Board determines and prescribes the manner in which its obligations are incurred and its expenses paid. Funds derived from assessments are deposited in the Federal Reserve Bank of Richmond and the Act provides that such funds "not be construed to be Government funds or appropriated moneys." No Government appropriation is required to support operations of the Board.

The information presented pertains to Board operations only; expenditures made for production, issuance, retirement, and shipment of Federal Reserve notes are not included because those costs are reimbursed in full by the Federal Reserve banks.

## Object Classification (in millions of dollars)

Identification code 920-4982-0-4-803	2015 actual	2016 est.	2017 est.
Reimbursable obligations:			
11.1 Personnel compensation: Full-time permanent .....	385	420	454
12.1 Civilian personnel benefits .....	79	87	94
13.0 Benefits for former personnel .....	10	10	10
21.0 Travel and transportation of persons .....	17	17	18
23.2 Rental payments to others .....	26	29	33
23.3 Communications, utilities, and miscellaneous charges .....	10	11	11
24.0 Printing and reproduction .....	2	3	3
25.1 Advisory and assistance services .....	66	87	70
25.2 Other services from non-Federal sources .....	43	44	47
25.4 Operation and maintenance of facilities .....	2	2	3
25.7 Operation and maintenance of equipment .....	5	6	5
26.0 Supplies and materials .....	2	1	2
31.0 Equipment .....	25	24	29
99.9 Total new obligations, unexpired accounts .....	672	741	779